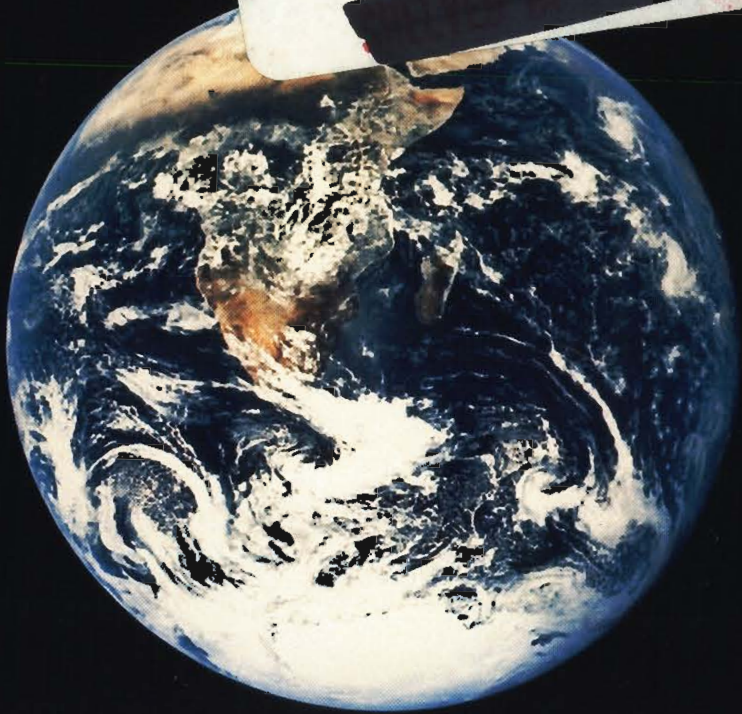

Annual Report 1977

The Coca-Cola Company

FRONT COVER PHOTOGRAPH

APOLLO 17 VIEW OF EARTH—A fantastic view of the sphere of the Earth as photographed from the Apollo 17 spacecraft during the final lunar landing mission in NASA's Apollo program This outstanding photograph extends from the Mediterranean Sea area to the Antarctica south polar ice cap Note the heavy cloud cover in the Southern Hemisphere. Almost the entire coastline of the continent of Africa is clearly delineated. The Arabian Peninsula can be seen at the northeastern edge of Africa. The large island off the southeastern coast of Africa is the Malagasy Republic. The Asian mainland is on the Horizon toward the northeast.

The Coca-Cola Company

and Subsidiaries
Annual Report
for the year
1977

Letter to Stockholders

March 1, 1978

Sales and earnings reached all time highs again in 1977. Consolidated net profit in 1977 was $326 million or $2.67 per share, compared with $290 million or $2.38 per share in 1976, an increase of 12.2%. Consolidated net sales in 1977 were over $3.5 billion, an increase of 15.0% over 1976. These gains were primarily due to strong unit volume gains in the Company's soft drink operations both in the U.S. and overseas.

Unit soft drink volume in the United States in 1977 was well ahead of 1976, and every major Company brand except Fresca exceeded industry growth.

Foreign soft drink volume in 1977 was up well over 10%. Strong unit volume gains were reported in Latin America, Africa, and the Far East, while volume in Western Europe was only slightly higher than 1976 due to poor weather conditions in 1977 compared to the previous year's very hot summer. Of the Company's largest foreign markets, Brazil, Japan, and Mexico all reported strong volume gains, while Germany was up only slightly, and Canada was down slightly following strong gains in 1976.

The Company's citrus operations reported increased profits in 1977, on slightly higher volume. The Company's domestic coffee/tea operations reported lower profits due to higher coffee prices and lower volume throughout the industry. Foreign coffee/tea profits were higher. The Company's Aqua-Chem subsidiary reported record levels of sales and profits.

In January 1977 the Company completed its merger with The Taylor Wine Company, Inc., of Hammondsport, New York. To extend its wine operations, in August of 1977 the Company acquired Sterling Vineyards of Napa Valley, California, and in November acquired Gonzales & Co., Inc. which operates the Monterey Vineyard of Gonzales, California.

On January 9, 1978, the Company and Presto Products Incorporated, of Appleton, Wisconsin, announced preliminary agreement for the merger of Presto into The Coca-Cola Company in a stock-for-stock transaction subject to approval by Presto shareholders. Presto is engaged in the manufacturing and distribution of plastic film products for consumers and industry.

Proceedings continue in the complaint filed in 1971 by the Federal Trade Commission against The Coca-Cola Company and other soft drink companies, attacking the validity of the territorial provisions in bottlers' contracts. In October 1975 an administrative law judge dismissed the complaint, holding that the bottler agreements did not violate the antitrust laws. The staff appealed that ruling to the full Commission and oral arguments were heard in 1976. In 1977 additional written arguments were presented. The Commission has not yet ruled in the case.

Legislation adopted by the United States Congress and signed on November 23, 1977 by the President will delay for 18 months the ban on saccharin as proposed by the Food and Drug Administration. During the 18-month period, additional studies will be conducted to reconfirm the safety of using saccharin as a sugar substitute.

On March 1, 1978, the Board of Directors increased the quarterly dividend rate from 38½ cents per share to 43½ cents per share. This rate is equivalent to a full year dividend of $1.74 per share, a 13.0% increase over the aggregate 1977 dividend of $1.54. This is the sixteenth consecutive year that directors have approved dividend increases.

A separate mailing to stockholders will contain the proxy, proxy statement, and notice of annual meeting of stockholders to be held on Monday, May 1, 1978, at 10:00 A.M. Wilmington time, at 100 West 10th Street, Wilmington, Delaware.

For the Board of Directors

J. Paul Austin
Chairman

J. Lucian Smith
President

Board of Directors

J. Paul Austin
Atlanta, Ga.
Chairman, Board of Directors, and
Chief Executive Officer
The Coca-Cola Company

C. H. Candler, Jr.
Atlanta, Ga.
Retired

Thomas H. Choate
New York, N.Y.
Retired

William A. Coolidge
Cambridge, Mass.
Retired

George S. Craft
Atlanta, Ga.
Retired

F. B. Eisenberg
Atlanta, Ga.
Retired

E. Garland Herndon, Jr., M.D.
Atlanta, Ga.
Vice President for Health Affairs
Emory University

Lindsey Hopkins
Miami, Fla.
Chairman, Board of Directors
Security Trust Company

John T. Lupton
Chattanooga, Tenn.
President, Great Western Coca-Cola Bottling Company
President, Phoenix Coca-Cola Bottling Company
President, Denver Coca-Cola Bottling Company

James D. Robinson, III
New York, N.Y.
Chairman, Board of Directors, and
Chief Executive Officer
American Express Company

John A. Sibley
Atlanta, Ga.
Honorary Chairman, Board of Directors
Trust Company of Georgia

J. Lucian Smith
Atlanta, Ga.
President and Chief Operating Officer
The Coca-Cola Company

John R. Talley
Atlanta, Ga.
Retired

D. A. Turner
Columbus, Ga.
Chairman, Boards of Directors
Columbus Bank & Trust Co., CB&T Bancshares, Inc.
and W. C. Bradley Co.

George W. Woodruff
Atlanta, Ga.
Retired

R. W. Woodruff
Atlanta, Ga.
Chairman, Finance Committee
The Coca-Cola Company

Corporate Officers

J. Paul Austin . . . . *Chairman of Board and Chief Executive Officer*
J. Lucian Smith . . . . *President and Chief Operating Officer*

Executive Vice Presidents

Charles W. Adams—*Administration*
Roberto C. Goizueta—*Technical*
C. M. Halle—*Operations*
Ira C. Herbert—*Division President*
Donald R. Keough—*Operations*
A. E. Killeen—*Wine Group*
Ian R. Wilson—*Operations*

Senior Vice Presidents

Ovid R. Davis—*Public Affairs*
Charles S. Lord—*Finance*
C. A. Shillinglaw—*Staff*

Vice Presidents

John H. Ogden—*Domestic Division President*

Sam Ayoub
H. O. Berkessel
J. Allen Brent
R. J. Broadwater
Leo E. Conroy
Paul L. Dillingham
Richard D. Ford
John W. Georgas
M. A. Gianturco
Marion B. Glover, Jr.
J. W. Jones
Robert A. Keller
W. Glenn Kernel
Earl T. Leonard, Jr.
Dianne McKaig
S. W. Magruder
Alex Malaspina
J. William Pruett, Jr.
J. F. Staresinich
Albert H. Swett
H. E. Teasley
J. E. Vielehr
R. V. Waltemeyer

Albert H. Swett . . . . *General Counsel*
Charles S. Lord . . . . *Chief Financial Officer and Treasurer*
J. F. Staresinich . . . . *Controller*
Fred S. Perrin . . . . *Secretary*

The Coca-Cola Company and Subsidiaries

Financial Highlights

(In millions except per share data)

	YEAR ENDED DECEMBER 31,		
	1977	1976*	Percent Increase
Net sales	**$3,559.9**	$3,094.5	15.0%
Profit before taxes on income	**$ 605.3**	$ 545.5	11.0%
Net profit	**$ 326.2**	$ 290.7	12.2%
Net profit per share	**$ 2.67**	$ 2.38	12.2%
Dividends per share	**$ 1.54**	$ 1.325	16.2%
Shareholders' equity	**$1,557.2**	$1,418.5	9.8%
% Net profit to net sales	**9.2%**	9.4%	
% Net profit to shareholders' equity	**20.9%**	20.5%	

*1976 amounts have been restated to include operations of The Taylor Wine Company, Inc. on a pooling of interests basis and to reflect a two-for-one stock split effective in May 1977.

Description of Business of The Coca-Cola Company

The Coca-Cola Company is the largest manufacturer and distributor of soft drink concentrates and syrups in the world. Its product "Coca-Cola" has been sold in the United States since 1886 and is now sold in over 135 foreign countries as well, and is the leading soft drink product in most of these countries. Other soft drink products include Fanta, Sprite, TAB, Fresca, Mr. PiBB, and Hi-C. In 1977, soft drink products accounted for 76% of total sales and 89% of operating profit from industry segments.

In the United States, 68% of soft drink syrup is sold to 566 bottlers who prepare and sell the products for the food store, vending, and other markets for home and on-premise consumption. The remaining 32% is sold to approximately 3,950 authorized wholesalers which in turn resell the syrup to restaurants and other retailers. Overseas, all soft drink concentrate sales are to bottlers. Bottlers handling about 10% of total volume are Company-owned, both in the United States and overseas.

The Company's worldwide soft drink operations are organized into three operating groups. The Company's largest markets within its Americas Group are the United States, Mexico, and Brazil. The largest markets within the Pacific Group are Japan and Canada. The largest market in the Europe/Africa Group is Germany. Foreign markets account for approximately 60% of worldwide soft drink volume.

The Company manufactures and markets Minute Maid and Snow Crop frozen concentrated citrus juices, Minute Maid chilled juices, and related citrus products. It also markets coffees and teas under the Maryland Club, Butternut and other brands, as well as to private label and institutional accounts.

The Company manufactures and markets still and sparkling wines under the trade-marks "Taylor," "Great Western," "Sterling," and "Monterey Vineyard."

The Company's Aqua-Chem subsidiary is engaged in the design and manufacture of water treatment systems, steam generators, heat exchangers, and other products.

Presto Products Incorporated, with which the Company has announced a preliminary merger agreement subject to approval by Presto shareholders, is engaged in the manufacture and distribution of plastic film products for consumers and industry.

The Coca-Cola Company and Subsidiaries

	1977	1976	1975
Net sales	**$3,559.9**	$3,094.5	$2,932.5
Gross profit	**1,550.2**	1,365.6	1,187.2
Profit before taxes on income (d)	**605.3**	545.5	471.7
Provision for income taxes	**279.1**	254.8	226.8
Net profit (d)	**$ 326.2**	$ 290.7	$ 244.9
Average common shares (c)	**122.2**	122.2	122.1
Net profit per share (c)	**$ 2.67**	$ 2.38	$ 2.01
Dividends per share (c)(e)	**1.54**	1.325	1.15
Year-end shareholders' equity (d)	**$1,557.2**	$1,418.5	$1,288.8
Year-end cash and securities	**416.2**	401.6	406.9
Year-end long-term debt	**13.8**	7.9	15.0
% Net profit to net sales	**9.2%**	9.4%	8.4%
% Net profit to shareholders' equity	**20.9%**	20.5%	19.0%
Capital expenditures	**$ 260.9**	$184.7	$ 142.4
Depreciation	**81.1**	71.3	68.3

Notes:

(a) Includes results for The Taylor Wine Company, Inc. and Aqua-Chem, Inc. which were combined with the Company in transactions accounted for as poolings of interests in 1977 and 1970, respectively. Combined results for years prior to 1976 include results of Taylor for its fiscal years ended June 30. Combined results for years prior to 1969 include results of Aqua-Chem for its fiscal years ended May 31.

(b) In 1974, the Company adopted the last-in, first-out (LIFO) accounting method for certain major categories of inventories. This accounting change had the effect of reducing net profit in 1974 by $31.2 million ($.26 per share).

10-Year Consolidated Summary of Operations (a)

(In millions except per share data)

YEAR ENDED DECEMBER 31,

1974	1973	1972	1971	1970	1969	1968
$2,579.8	$2,201.4	$1,927.2	$1,772.0	$1,647.2	$1,456.8	$1,273.4
1,003.7	1,022.2	905.4	822.9	746.0	669.4	600.0
375.3	415.9	376.7	338.6	301.3	272.3	242.8
173.9	194.0	179.7	165.3	149.4	137.8	119.3
$ 201.4(b)	$ 221.9	$ 197.0	$ 173.3	$ 151.9	$ 134.5	$ 123.5
121.9	121.9	121.7	121.5	121.0	120.7	120.5
$ 1.65(b)	$ 1.82	$ 1.62	$ 1.43	$ 1.26	$ 1.11	$ 1.03
1.04	.90	.82	.79	.72	.66	.58
$1,179.8	$1,101.1	$ 984.6	$ 882.7	$ 786.5	$ 712.0	$ 650.9
259.1	306.7	238.9	194.8	152.5	144.8	157.3
11.1	8.3	7.1	11.1	16.5	22.7	27.4
7.8%	10.1%	10.2%	9.8%	9.2%	9.2%	9.7%
17.1%	20.1%	20.0%	19.6%	19.3%	18.9%	19.0%
$ 151.5	$ 124.8	$ 117.9	$ 102.9	$ 110.5	$ 115.3	$ 110.2
61.1	60.5	57.3	53.9	49.8	44.2	41.7

(c) Adjusted for two-for-one stock splits in 1977 and 1968.

(d) Years prior to 1970 have been restated to eliminate provision for unremitted foreign profit. This restatement had the effect of increasing net profit for 1969 and 1968 by $6.2 million ($.05 per share) and $6.4 million ($.05 per share), respectively.

(e) Dividends per share are presented on an historical basis without giving effect to the merger of Aqua-Chem, Inc. and The Taylor Wine Company, Inc.

Management's Discussion and Analysis of the Summary of Operations

Conclusions

Net sales in 1977 increased by $465.4 million or 15% over net sales for 1976. Net sales of the soft drink industry segment increased by $286 million or 11.8%. The increase in soft drink sales resulted principally from increased unit volume both domestically and overseas. Net sales of other industry segments increased by $179 million or 26.5% due principally to higher selling prices of citrus and coffee products, partially offset by decreased coffee volume.

Cost of goods sold in 1977 increased by $280.7 million or 16.2% over 1976. Soft drink cost of goods sold increased principally as a result of increased volume. Cost of goods sold for other industry segments increased principally as the result of higher costs for raw materials, partially offset by decreased coffee volume.

Selling, administrative and general expenses in 1977 increased by 14.2%, as compared to an increase of 15% in net sales. The increase in expenses reflects expanded marketing programs, increased levels of general business activity and the effects of inflation. Media advertising expenditures totaled $183.7 million in 1977, up $15.3 million over 1976. Taxes other than income taxes increased by $10.7 million or 21%, principally due to an increase of $8.4 million in payroll taxes due to higher base payrolls and increased rates in certain locations.

Depreciation and amortization of property, plant and equipment totaled $81.9 million in 1977, an increase of $9.9 million or 13.8% over 1976. The increase related principally to an increase in depreciable assets. Maintenance and repairs increased by $6.4 million or 14.6% over 1976. The increase is a result of the Company's increased investment in plant and equipment over the past several years and higher labor and material costs.

Operating profit from the soft drink industry segment increased as a result of increased volume. Operating profit from citrus, foreign coffee operations and the Company's Aqua-Chem subsidiary also increased, while domestic coffee operations declined in 1977 due to higher coffee prices and lower volume throughout the industry. Operating profit from wine operations declined due to increased advertising expenditures.

Provision for taxes on income in 1977 increased by $24.3 million or 9.5% over the provision for taxes on income in 1976. The increase

Management's Discussion and Analysis of the Summary of Operations (continued)

was due to an increase in profit before income taxes, partially offset by a decrease of approximately $3.6 million due to a decrease in the average effective tax rate.

Net profit increased by $35.5 million or 12.2% over 1976.

Net sales in 1976 increased by $162 million or 5.5% over net sales for 1975. Unit sales of soft drinks were at record levels both domestically and overseas. The increase in dollar sales was due principally to increased unit volume of major products and to higher average selling prices for coffee products, substantially offset by lower average selling prices for soft drink syrup in the United States. Domestic syrup prices trended lower throughout 1976 due to the pass-through of lower sugar costs, almost entirely off-setting the effects of volume increases and higher selling prices for coffee and other products in the United States.

Cost of goods sold decreased by $16.4 million or .9% from 1975, principally as a result of lower sugar costs which more than offset the effects of increased volume and increases in the cost of other items.

In 1976, media advertising expenditures increased by $21 million or 14.2% and other promotional expenditures also increased substantially. The increase was principally due to increased levels of advertising and promotional activities. Advertising expenditures in 1976 represented a greater percentage of net sales than in 1975 as a result of increased expenditures and the effect of lower average selling prices for soft drink products.

Other income increased principally as a result of increased interest income from marketable securities and other investments, and improvement in market prices of securities valued at the lower of cost or market.

Provision for taxes on income in 1976 increased by $28 million or 12.3% over the provision for taxes on income in 1975. The increase was principally due to an increase in profit before income taxes, partially offset by a decrease of approximately $7,000,000 due to a decrease in the average effective tax rate.

Net profit increased by $45.8 million or 18.7% over 1975, principally as a result of the factors previously discussed.

The Coca-Cola Company

Cash Dividends

Cash dividends were paid on common shares in 1977 and 1976 as follows (adjusted for two-for-one stock split in May 1977):

	1977	1976
First Quarter	$ .385	$ .33125
Second Quarter	.385	.33125
Third Quarter	.385	.33125
Fourth Quarter	.385	.33125
Full Year	$1.54	$1.325

Stock Market Information

The principal market in which the securities of the Company are traded is the New York Stock Exchange, Inc. All securities are common stock, no par value. The high and low prices of each quarter for the past two years are as follows (adjusted for two-for-one stock split in May 1977):

	1977		1976	
	High	Low	High	Low
First Quarter	$40.125	$36.50	$47.625	$41.00
Second Quarter	39.875	35.875	44.50	38.813
Third Quarter	40.875	37.00	44.813	41.438
Fourth Quarter	40.25	35.50	43.125	36.688

The Coca-Cola Company and Subsidiaries
Consolidated Statements of Profit and Loss

	YEAR ENDED DECEMBER 31,	
	1977	1976
Net sales	**$3,559,878,282**	$3,094,523,628
Cost of goods sold	**2,009,700,447**	1,728,960,485
GROSS PROFIT	**1,550,177,835**	1,365,563,143
Selling, administrative and general expenses	**957,072,552**	837,857,757
OPERATING PROFIT	**593,105,283**	527,705,386
Other income	**42,871,486**	47,052,697
	635,976,769	574,758,083
Less other deductions	**30,634,018**	29,232,022
PROFIT BEFORE TAXES ON INCOME	**605,342,751**	545,526,061
Provision for taxes on income	**279,123,000**	254,809,937
NET PROFIT	**$ 326,219,751**	$ 290,716,124
Net profit per share of common stock	**$2.67**	$2.38

Consolidated Statements of Earned Surplus

	YEAR ENDED DECEMBER 31,	
	1977	1976
Balance at January 1:		
The Coca-Cola Company and Subsidiaries	**$1,266,268,875**	$1,096,716,913
The Taylor Wine Company, Inc.		40,365,750
Adjusted balance at January 1		1,137,082,663
Net profit for the year	**326,219,751**	290,716,124
Dividends paid in cash:		
The Coca-Cola Company (per share—1977, $1.54; 1976, $1.325)	**188,170,329**	158,787,031
The Taylor Wine Company, Inc., prior to combination		2,742,881
BALANCE AT DECEMBER 31	**$1,404,318,297**	$1,266,268,875

See Notes to Consolidated Financial Statements

Assets

	DECEMBER 31, 1977	DECEMBER 31, 1976
CURRENT:		
Cash	**$ 149,633,047**	$ 102,945,656
Marketable securities—1977, at cost (approximates market price); 1976 at market price (cost, $260,883,168)	**198,219,118**	260,465,266
Trade accounts receivable (less allowance—1977, $7,218,909; 1976, $6,984,611)	**275,508,790**	237,316,909
Inventories	**432,966,578**	397,018,167
Prepaid expenses	**31,922,307**	29,536,594
TOTAL CURRENT ASSETS	**1,088,249,840**	1,027,282,592
MARKETABLE SECURITIES—at cost (approximates market price)	**68,392,434**	38,241,272
MISCELLANEOUS INVESTMENTS AND OTHER ASSETS	**94,849,109**	92,940,398
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	**82,183,631**	71,744,181
Buildings	**396,088,541**	324,474,794
Machinery and equipment	**743,205,844**	656,454,914
Containers	**185,665,467**	158,905,503
	1,407,143,483	1,211,579,392
Less allowance for depreciation	**535,048,473**	485,447,525
	872,095,010	726,131,867
FORMULAE, TRADE-MARKS, GOODWILL AND CONTRACT RIGHTS	**100,338,015**	94,908,059
	$2,223,924,408	$1,979,504,188

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

Liabilities

	DECEMBER 31,	
	1977	**1976**
CURRENT:		
Notes payable	$ **37,281,226**	$ 35,634,350
Current maturities of long-term debt	**4,615,549**	5,152,358
Accounts payable and accrued accounts	**390,832,357**	333,986,936
Accrued taxes—including taxes on income	**156,132,081**	131,715,249
TOTAL CURRENT LIABILITIES	**588,861,213**	506,488,893
* LONG-TERM DEBT	**13,762,022**	7,856,974
	5905,048	
DEFERRED INCOME TAXES	**64,092,379**	46,625,466
CAPITAL STOCK AND SURPLUS:		
Common stock—no par value; authorized 140,000,000 shares; (issued: 1977, 122,604,113 shares; 1976, 122,574,406 shares)	**61,679,271**	61,664,367
Capital surplus	**106,564,726**	105,964,326
Earned surplus	**1,404,318,297**	1,266,268,875
	1,572,562,294	1,433,897,568
Less treasury stock—at cost (1977, 401,338 shares; 1976, 401,958 shares)	**15,353,500**	15,364,713
	1,557,208,794	1,418,532,855
	$2,223,924,408	$1,979,504,188

See Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries
Consolidated Statements of Changes in Financial Position

	YEAR ENDED DECEMBER 31, 1977	1976
SOURCE OF WORKING CAPITAL		
From operations:		
Net profit for year	**$326,219,751**	$290,716,124
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation	**81,082,646**	71,303,981
Deferred income taxes	**17,466,913**	14,457,232
Other	**21,249,112**	13,720,164
TOTAL FROM OPERATIONS	**446,018,422**	390,197,501
Increase in long-term debt	**5,905,048**	0
Disposals of property, plant and equipment	**16,711,101**	15,816,450
Proceeds from exercise of stock options	**764,880**	840,049
Tax benefit from optioned shares sold	**154,200**	224,900
	469,553,651	407,078,900
APPLICATION OF WORKING CAPITAL		
Cash dividends:		
The Coca-Cola Company	**188,170,329**	158,787,031
The Taylor Wine Company, Inc.	**0**	2,742,881
Additions to property, plant and equipment	**260,913,663**	184,721,607
Increase in marketable securities—non-current	**30,151,162**	11,950,177
Increase in miscellaneous investments	**1,908,711**	18,780,132
Decrease in long-term debt	**0**	1,201,691
Other	**9,814,858**	25,933
	490,958,723	378,209,452
INCREASE (DECREASE) IN WORKING CAPITAL	**(21,405,072)**	28,869,448
Working capital at beginning of year	**520,793,699**	491,924,251
WORKING CAPITAL AT END OF YEAR	**$499,388,627**	$520,793,699
INCREASE (DECREASE) IN WORKING CAPITAL, BY COMPONENTS		
Cash	**$ 46,687,391**	$ 19,155,073
Marketable securities	**(62,246,148)**	(43,331,433)
Trade accounts receivable	**38,191,881**	48,077,146
Inventories	**35,948,411**	49,008,664
Prepaid expenses	**2,385,713**	3,350,171
Notes payable	**(1,646,876)**	(724,783)
Current maturities of long-term debt	**536,809**	(3,402,147)
Accounts payable and accrued accounts	**(56,845,421)**	(62,751,461)
Accrued taxes—including taxes on income	**(24,416,832)**	19,488,218
INCREASE (DECREASE) IN WORKING CAPITAL	**$ (21,405,072)**	$ 28,869,448

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Accounting Policies. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation. The Company's investments, which are not material, in certain non-consolidated affiliated companies are accounted for by the equity method.

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method of inventory valuation is used for sugar and other sweeteners used in domestic beverages, for certain major citrus concentrate products, and for substantially all inventories of domestic bottling subsidiaries, wine products and certain other domestic and foreign operations. All other inventories are valued on the average or first-in, first-out method. The excess of current costs over LIFO stated values amounted to approximately \$24,000,000 and \$13,000,000 at December 31, 1977 and December 31, 1976, respectively.

Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which, in general, correspond with deposit prices obtained from customers. Depreciation expense was principally determined by the straight-line method. A portion of the depreciation determined by the straight-line method for financial statement purposes is calculated on accelerated methods for income tax purposes. Deferred income taxes are provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit, which is not material in amount, is accounted for by the flow-through method.

Formulae, trade-marks, goodwill and contract rights are stated on the basis of cost and if purchased subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years).

Long-term debt for 1977 includes lease obligations capitalized in accordance with the requirements specified in Statement No. 13 of the Financial Accounting Standards Board (FASB).

2. Acquisitions. In January 1977 the Company issued 1,161,000 shares (before 2 for 1 stock split) of its common stock for all of the outstanding common stock of The Taylor Wine Company, Inc. in a transaction accounted for as a pooling of interests. Accordingly, financial statements for 1976 and prior years have been restated to include the accounts of Taylor.

In addition, the Company acquired Sterling Vineyards and Gonzales & Co., Inc. (Monterey Vineyard) which operate wineries. These acquisitions were accounted for as purchase transactions and had no significant effect on operations in 1977.

3. Proposed Acquisition of Presto Products Incorporated. The Company has agreed in principle to acquire all of the outstanding common stock of Presto Products Incorporated, a manufacturer and distributor of plastic film products for consumers and industry, in exchange for approximately 1,271,000 shares of common stock of The Coca-Cola Company. The acquisition, which is subject to ap-

proval of the Board of Directors of The Coca-Cola Company and the stockholders of Presto Products Incorporated, will be accounted for as a pooling of interests and will not significantly affect the consolidated operations of the Company. Presto Products Incorporated's sales and profits for the fiscal year ended September 30, 1977, were $58,051,184 and $4,678,872, respectively.

4. Industry Segments. The Company operates principally in the soft drink industry. Citrus, coffee, tea, wine, water treatment equipment and heating equipment are included in other industries. Intersegment transfers are not material. Information concerning operations in different industries for the year ended December 31, 1977, is as follows:

Net sales:	
Soft drinks	$2,701,741,574
Other industries	858,136,708
Total net sales	$3,559,878,282
Operating profit from industry segments:	
Soft drinks	$ 562,154,891
Other industries	72,376,162
Total from industry segments	634,531,053
Other income, net of other deductions	4,897,682
General expenses	(34,085,984)
Profit before taxes on income	$ 605,342,751
Identifiable assets at year-end:	
Soft drinks	$1,518,820,398
Other industries	424,000,966
Total by industry segments	1,942,821,364
Corporate assets (principally cash and marketable securities)	281,103,044
Total assets at year-end	$2,223,924,408
Capital expenditures by industry segment:	
Soft drinks	$ 187,235,302
Other industries	48,609,297
Depreciation and amortization by industry segment:	
Soft drinks	$ 65,381,863
Other industries	14,987,131

5. Operations in Geographic Areas. Information about the Company's operations in different geographic areas for the year ended December 31, 1977, is presented below. Inter-company transfers between geographic areas are not material.

Net sales:	
United States and Puerto Rico	$2,008,496,396
Latin America	269,539,728
Europe and Africa	668,730,408
Canada and Pacific	613,111,750
Total net sales	$3,559,878,282

Operating profit from geographic areas:	
United States and Puerto Rico	$ 263,596,336
Latin America	67,258,683
Europe and Africa	189,435,023
Canada and Pacific	114,241,011
Total from geographic areas	634,531,053
Other income, net of other deductions	4,897,682
General expenses	(34,085,984)
Profit before taxes on income	$ 605,342,751
Identifiable assets at year-end:	
United States and Puerto Rico	$1,059,767,950
Latin America	196,325,327
Europe and Africa	413,783,118
Canada and Pacific	272,944,969
Total by geographic areas	1,942,821,364
Corporate assets (principally cash and marketable securities)	281,103,044
Total assets at year-end	$2,223,924,408
Capital expenditures by geographic areas:	
United States and Puerto Rico	$ 121,617,364
Latin America	28,626,230
Europe and Africa	47,810,182
Canada and Pacific	37,790,823
Depreciation and amortization by geographic areas:	
United States and Puerto Rico	$ 51,074,078
Latin America	4,542,005
Europe and Africa	13,664,759
Canada and Pacific	11,088,152

6. Foreign Operations. The Company's identifiable assets and liabilities outside the United States and Puerto Rico are shown below:

	DECEMBER 31,	
	1977	1976
Current assets	$459,678,546	$383,468,404
Property, plant and equipment—net	357,053,632	293,846,889
Other assets	66,321,236	74,206,799
	883,053,414	751,522,092
Liabilities	370,413,441	308,898,200
Net assets	$512,639,973	$442,623,892

Net sales of operations outside the United States and Puerto Rico were 44% of total net sales in 1977 and 41% in 1976. Operating profit attributable to such business amounted to approximately 58% of total operating profit from geographic areas in 1977 and 55% in 1976. Exchange adjustments were not material in amount in either year.

Appropriate United States and foreign income taxes have been accrued on profits of subsidiary companies which are expected to be remitted to the Parent Company in the near future. Unremitted profits of foreign subsidiaries which are expected to be required for use in the foreign operations amounted to approximately $50,000,000 at December 31, 1977, exclusive of amounts which if remitted would result in little or no tax.

7. Stock Options. Options were held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging principally from $24.97 to $67.91 per share in 1977 and from $24.97 to $69.63 per share in 1976. Further information relating to the options is as follows (adjusted for a two-for-one stock split):

	1977	1976
Options outstanding at January 1	975,862	907,300
Options granted during the year	356,814	124,800
Options exercised during the year	(30,327)	(33,644)
Options cancelled during the year	(207,495)	(22,594)
Options outstanding at December 31	1,094,854	975,862
Options exercisable at December 31	383,565	359,680
Shares available for option which may be granted	114,351	254,200

8. Pension Plans. The Company and its subsidiaries have various pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to $23,911,053 in 1977 and $19,580,755 in 1976. In general, pension costs are funded when accrued. The amount of unfunded past service costs is not significant.

9. Changes in Capital. On May 9, 1977, the authorized common stock was increased from 70,000,000 shares to 140,000,000 shares and one additional share of common stock was issued to the stockholders for each share held on that date. The stock split had no effect on the amount assigned to the capital stock account. The accompanying financial statements have been appropriately adjusted to reflect the stock split. The changes in capital during 1976 and 1977 are as follows:

	Common Stock Issued		Capital
	Shares	Amount	Surplus
Balance January 1, 1976	60,109,381	$60,474,767	$ 87,451,756
Sale of stock to employees exercising stock options	16,822	16,990	823,059
Tax benefit from sale of option shares by employees	—	—	224,900
Balance December 31, 1976	60,126,203	60,491,757	88,499,715
Stock issued in acquisition of The Taylor Wine Company, Inc.	1,161,000	1,172,610	17,464,611
Balance December 31, 1976, after giving effect to merger	61,287,203	61,664,367	105,964,326
Adjustment for 2 for 1 stock split	61,287,203	—	—
Adjusted balance December 31, 1976	122,574,406	61,664,367	105,964,326
Sale of stock to employees exercising stock options	29,707	14,904	738,764
Tax benefit from sale of option shares by employees	—	—	154,200
Non-recurring expenses of 2 for 1 stock split	—	—	(292,564)
Balance December 31, 1977	122,604,113	$61,679,271	$106,564,726

10. Impact of Inflation (Unaudited). The Company's annual report on Form 10-K contains specific information with respect to 1977 and 1976 replacement cost of inventories and productive capacity, and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation expense for the year. The costs of raw materials for citrus and coffee products were substantially higher in 1977 than in the prior year while the cost of sugar, used in soft drinks and certain other products, was moderately lower. Historically, the Company has compensated for changes in production costs by adjusting selling prices.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

11. Quarterly Results of Operations (Unaudited). The following is a tabulation of the unaudited quarterly results of operations for the years ended December 31, 1977 and 1976:

	1977	1976
Net sales:		
First quarter	$ 785,622,959	$ 660,688,181
Second quarter	945,356,354	847,728,063
Third quarter	948,925,139	840,149,732
Fourth quarter	879,973,830	745,957,652
	$3,559,878,282	$3,094,523,628
Gross profit:		
First quarter	$ 333,671,317	$ 295,486,667
Second quarter	425,190,376	377,458,000
Third quarter	429,909,494	384,494,014
Fourth quarter	361,406,648	308,124,462
	$1,550,177,835	$1,365,563,143
Net profit:		
First quarter	$ 65,675,443	$ 59,016,310
Second quarter	95,927,997	85,466,831
Third quarter	93,300,584	83,589,335
Fourth quarter	71,315,727	62,643,648
	$ 326,219,751	$ 290,716,124
Net profit per share:		
First quarter	$ .53	$ .48
Second quarter	.79	.70
Third quarter	.77	.69
Fourth quarter	.58	.51
	$2.67	$2.38

Report of Independent Accountants

To Directors and Stockholders
The Coca-Cola Company
Wilmington, Delaware

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1977 and 1976, and the related consolidated statements of profit and loss, earned surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1977 and 1976, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Atlanta, Georgia
February 24, 1978

Ernst & Ernst

E&E

Other Information

The Coca-Cola Company is committed to Equal Employment Opportunity in all of its policies regarding recruiting, hiring, transfers, promotions, compensation, benefits, training, layoff and recall practices. These are administered without regard to race, color, religion, sex, age or national origin.

To implement its policy of Equal Employment Opportunity, the Company has developed an Affirmative Action Plan, administered by the Manager of EEO. In addition, each installation has an Affirmative Action Program covering the employee complement in that unit including guides and standards developed to insure that decisions on employment and benefits are based on valid job-related criteria.

The Company's Equal Employment Opportunity program has produced steady increases in the number of minorities and women employed and advanced. In 1977 minority group employees constituted 28% of the total work force of The Coca-Cola Company and its divisions in the United States, up 4% from 1973, and double the national work force parity. Significantly, more than one out of every four minority employees in the Company holds a "white collar" job. Since 1973 the number of minority employees in managerial, professional and technical positions has increased by 17%.

In 1977 women made up 27% of the total work force of The Coca-Cola Company, up 2% from 1973. Emphasis has been focused on upward mobility, and women now hold 34% of all "white collar" jobs. Since 1973, the number of women in managerial, professional and technical positions has increased by 29% even though the total employee complement in these positions remained level. In addition, the percentage of women in "blue collar" jobs increased by 22% since 1973.

The following additional information may be obtained by shareholders without charge upon request by writing to The Office of the Secretary, The Coca-Cola Company, P.O. Drawer 1734, Atlanta, Georgia 30301:

The Summary Plan Description and the Summary Annual Report of the Employees' Retirement Plan of The Coca-Cola Company, as furnished to employees of the Company pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

The Coca-Cola Company
310 North Avenue, N.W.
Atlanta, Georgia 30313

Mailing Address:
P.O. Drawer 1734
Atlanta, Georgia 30301

Dividend Disbursing Agent

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, Georgia 30302

Transfer Agents/Registrars

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, Georgia 30302

Morgan Guaranty Trust Company of New York
Stock Transfer Department
30 West Broadway
New York, New York 10015

The Coca-Cola Company